88-1330 (2)

SUPREME COURT, U.S.
FILED
FEB 9 1989
JOSEPH F. SPANIOL, JR.
CLERK

No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

GETTY PETROLEUM CORP.,

Petitioner.

– against –

SALEM HEAT & PETROLEUM CORP. and LEWIS CAHILL,

Respondents.

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

ROBERT G. DEL GADIO
Counsel of Record
DEL GADIO & WHITE
Attorneys for Petitioner
1010 Franklin Avenue
Garden City, New York 11530
(516) 746-1190

TABLE OF CONTENTS

Appendix A A1

Appendix B B1

Appendix C C1

Appendix D D1

Appendix E E1

Appendix F F1

Appendix G G1

APPENDIX A

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 1289—August Term 1987

(Argued June 23, 1988 Decided October 20, 1988)

Docket No. 88-7268

GETTY PETROLEUM CORP.,

Plaintiff-Appellee,

—v.—

ISLAND TRANSPORTATION CORP., SKYBOLT AUTO SERVICE, INC., VITO P. GERBINO, VINCENT R. GERBINO, THUNDERKING, INC., TRI-STAR BROKERS, INC., TURGOT OZEN, SALEM HEAT & PETROLEUM CORP., and LEWIS CAHILL,

Defendants,

SALEM HEAT and PETROLEUM CORP., and LEWIS CAHILL,

Defendants-Appellants.

SALEM HEAT & PETROLEUM CORP.,
and LEWIS CAHILL,

Third-Party Plaintiffs,

—v.—

SKYBOLT AUTO SERVICE, INC., THUNDERKING, INC.,
VITO P. GERBINO, and VINCENT R. GERBINO,

Third-Party Defendants.

Before:

NEWMAN, KEARSE, and CARDAMONE,
Circuit Judges.

Defendants Salem Heat & Petroleum Corp. and Lewis Cahill appeal from a final judgment of the United States District Court for the Eastern District of New York (Mishler, J.) entered on its March 4, 1988 Memorandum Decision and Order (modified on March 28, 1988) finding appellants liable to Getty Petroleum Corp. for compensatory and punitive damages and attorney fees following two jury trials on its trademark infringement claims.

Affirmed in part, reversed in part, and remanded.

CARL S. LEVINE, Mitchel Field, New York (Meredith Barg, Levine & Robinson, Mitchel Field, New York, of counsel), *for Defendants-Appellants.*

ROBERT G. DEL GADIO, Garden City, New York (Randolph E. White, Garden City, New York, of counsel), *for Plaintiff-Appellee.*

C. Fred Weil, Jericho, New York (Davis & Weil, Jericho, New York, of counsel), *submitted brief for Third-Party Defendants-Appellees.*

CARDAMONE, *Circuit Judge*:

This appeal from the Eastern District of New York presents four issues of law arising from the infringement of a registered trademark. Appellants Salem Heat & Petroleum Corp. and Lewis Cahill appeal from a jury verdict which found that they had secretly and unlawfully sold and delivered non-Getty brand gasoline to two Long Island Getty-branded service stations in 1985 and 1986, intentionally infringing the Getty trademark. The jury assessed compensatory and punitive damages in favor of the plaintiff, Getty Petroleum Corp. The case required two trials in the district court. It seems that everything has an end except this litigation, because though the compensatory damages portion of the judgment is affirmed, the award of punitive damages must be reversed and the case remanded to the district court for further consideration of punitive damages under New York law.

BACKGROUND

The facts relating to this appeal may be stated briefly. As a condition to its approval of the 1984 purchase of the Getty Oil Company by Texaco, Inc., the Federal Trade Commission required Texaco to transfer the "Getty" tradename and trademark and to divest itself of the acquired company's northeastern marketing facilities. Power Test Corp. bought Getty Oil's northeastern business in February, 1985 from Texaco and obtained an exclusive trademark license for the "Getty" marks. On July 11, 1985 ownership of the "Getty" marks was transferred to Power Test, which thereupon changed its name to Getty Petroleum Corp. (Getty Petroleum). Getty Petroleum continued the business formerly conducted by Getty Oil and is the plaintiff in this litigation.

Appellant Salem Heat & Petroleum Corp. (Salem), a Port Washington, New York distributor of gasoline and petroleum products, is owned and operated by appellant Lewis Cahill. Salem sold and delivered approximately 500,000 gallons of non-Getty gasoline to Getty-branded service stations in Middle Village and Garden City Park, New York, in 1985 and 1986. At both stations this gasoline was sold as Getty-brand gasoline in violation of the franchise agreements between appellants and Getty Petroleum.

In 1986 Getty Petroleum brought a diversity suit in the United States District Court for the Eastern District of New York (Mishler, J.) against the above two stations' owners and operators. Getty Petroleum also sued three gasoline distributors—including Salem—and their two owners and operators—one of whom is Cahill—seeking injunctive relief and damages for these defendants' infringement of the Getty trademark. In particular, plaintiff's amended complaint alleges that defendants' actions

constituted: infringement of its federally registered trademark causing irreparable damage to its goodwill and reputation (Count I); false designation of origin, false description and false representation of the gasoline in violation of the Lanham Trademark Act of 1946, 15 U.S.C. § 1125(a) (Count II); unfair competition (Count III); dilution of the quality of the Getty mark in violation of N.Y. Gen. Bus. Law §§ 368, 368-d (Count IV); and false and misleading advertising in violation of N.Y. Gen. Bus. Law §§ 350, 350(d) (Count V). Seven of the nine named defendants—other than the two appellants Salem and Cahill—settled with plaintiff Getty Petroleum before trial.

The gravamen of Getty Petroleum's claims against appellants Salem and Cahill—which, as noted, has been the subject of two jury trials—was that they infringed the Getty mark by delivering non-Getty gasoline to Getty-branded service stations. At the first trial held in November, 1987 appellants conceded the substance of plaintiff's allegations, but attempted to prove that Getty had acquiesced in the infringement. The jury was not persuaded, and returned a special verdict finding that appellants had "knowingly and intentionally contributorily infringe[d]" the Getty trademark as to both service stations, and assessed their joint proportionate share of fault at 50 percent. The jury found that "as a result of the activities of Salem and/or Cahill," plaintiff's lost profits at the Middle Village station were $39,335 and at the Garden City Park station were $3,920, the sum of which is the $43,255 awarded plaintiff as compensatory damages. Finally, having found appellants' actions to have been done intentionally and "with a callous disregard for the rights of Getty in its trademark," the jury assessed punitive damages against appellants in the amount of $875,000.

Following that verdict, appellants moved, *inter alia*, for a judgment notwithstanding the verdict (j.n.o.v.) pursuant to Fed. R. Civ. P. 50(b) or, alternatively, for a remittitur of the punitive damages award. Judge Mishler denied the former relief, but granted appellants' motion to vacate the $875,000 punitive damages award unless Getty agreed to remit the sum of $775,000 and to accept the balance of $100,000. Counsel for Getty Petroleum elected on behalf of his client not to accept the remittitur. The district court thereupon vacated the punitive damage award because it found the $875,000 verdict so high as to shock its conscience. Judge Mishler then ordered a second trial limited to the issue of punitive damages. Ironically, at the second trial, the jury returned an even larger verdict for plaintiff, this time awarding $1 million in punitive damages. Appellants again unsuccessfully moved for a j.n.o.v.

Accordingly, in its March 4, 1988 Decision and Order, the district court granted plaintiff judgment for a total of $43,255, plus 6 percent interest, in compensatory damages, $1 million in punitive damages, and attorney fees for the first trial. Getty Petroleum was later awarded attorney fees for the second trial. In addition, Judge Mishler denied Salem and Cahill's request for a set-off of the compensatory damage award against the amounts paid by the settling tortfeasors, and dismissed *sua sponte* their third-party complaint for contribution against the operators of the Middle Village station. The district court judge carefully reviewed the additional evidence regarding punitive damages presented at the second trial and declined to vacate this award, as he had after the first trial. From this judgment, Salem and Cahill appeal.

DISCUSSION

Four issues are raised: (1) the propriety of the punitive damages award; (2) the district court's refusal to bifurcate the liability and damages issues for trial; (3) its refusal to reduce appellants' liability for compensatory damages; and (4) the dismissal of appellants' third-party complaint seeking contribution from settling co-defendants.

I *Punitive Damages*

Appellants first argue that punitive damages are not available as a remedy under § 35 of the Lanham Act, 15 U.S.C. § 1117(a) (Supp. IV 1986). Recently, we ruled on this issue in *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, Nos. 87-7668, *et al.*, slip op. at 6331 (2d Cir. Sept. 22, 1988) (*Getty I*). In *Getty I*, we examined the language of § 35 of the Lanham Act, its legislative history and the relevant case law. Such analysis persuaded us that § 35 does not authorize an award of punitive damages for a willful infringement of a registered trademark. Consequently, the punitive damages awarded in the instant case—which will be referred to hereafter for purposes of clarity as *Getty II*—must be vacated.

Nevertheless, the instant case differs from *Getty I* in one significant respect. In *Getty I*, before the case was submitted to the jury, plaintiff withdrew all of its asserted causes of action, except its claim of trademark infringement in violation of the Lanham Act. Thus, the only theory of recovery considered by the jury—which awarded compensatory and multimillion dollar punitive damages—was federal infringement. On appeal, the principal issue in *Getty I* was whether punitive damages are available under § 35 of the Lanham Act. Holding that such an award was

not authorized, we reversed that portion of the verdict. In *Getty II*, on the other hand, plaintiff did not withdraw its non-Lanham Act claims. Although defense counsel asked that all but the federal infringement claims be dismissed as duplicative, the district judge refused, reasoning that it would be better to submit fact questions to the jury in order to determine the answers to the legal issues raised by the five counts, and that Getty Petroleum had raised sufficient questions on its state law claims to withstand appellants' motion to dismiss.

An award of punitive damages might still be an available remedy for Getty Petroleum's non-Lanham Act causes of action in the instant case. 2 J. McCarthy, *Trademarks and Unfair Competition*, § 30:29(A) at 517 (2d ed. 1984) ("In jurisdictions where punitive damages are available in tort cases, they are equally allowable in cases of trademark infringement and unfair competition."); *see Le Mistral, Inc. v. Columbia Broadcasting System*, 61 AD2d 491, 494-95 (1st Dept. 1978) (punitive damages recoverable in *ex delicto* actions based upon malice, fraud, wanton or reckless disregard of plaintiff's rights or where the wrong is aggravated by evil motive), *appeal dismissed*, 46 N.Y.2d 940 (1979); *see also Roy Export Co. v. Columbia Broadcasting System*, 672 F.2d 1095, 1106 (2d Cir.) (New York law authorizes punitive damages for unfair competition, and federal copyright policy against punitive damages is irrelevant), *cert. denied*, 459 U.S. 826 (1982); *Underwriters' Laboratories v. Smith*, 41 Misc.2d 756, 756 (Sup. Ct. Kings Cnty. 1964) (assessing punitive damages for unfair competition).

Yet, because the district court did not expressly determine whether: (1) plaintiff's non-Lanham Act claims were still alive at the close of the trial; (2) punitive damages may

be awarded under the law of New York for those claims; (3) plaintiff had proved its state law causes of action, we must remand this case for it to determine whether plaintiff proved any non-Lanham Act claims for which punitive damages would be available under New York law.

Salem and Cahill further urge that even if they were liable for punitive damages, the second jury's award of $1 million is grossly excessive. They point out that such an award constitutes approximately 50 percent of their net worth and is likely to ruin them financially. Although there is no mathematical formula to compute punitive damages, such an award must bear a reasonable relationship to a plaintiff's injury and defendant's malicious intent. *See Lerman v. Flynt Distributing Co.*, 745 F.2d 123, 141-42 (2d Cir. 1984), *cert. denied*, 471 U.S. 1054 (1985) (libel); *Universal City Studios v. Nintendo Co.*, 615 F. Supp. 838, 863 (S.D.N.Y. 1985) (tortious interference with contract), *aff'd*, 797 F.2d 70 (2d Cir.), *cert. denied*, 479 U.S. 987 (1986). Here the ratio of compensatory damages—which are not nominal—to punitive damages is approximately 4:100, which appellants contend is unreasonably disproportionate.

We agree that a punitive damage award in the amount of $1 million on these facts is grossly disproportionate to the proven actual damages. Therefore, on remand, if Judge Mishler finds that Getty has demonstrated its entitlement to punitive damages under New York law, judgment should be entered in an amount not to exceed $250,000, since any amount larger than that would be "so high as to shock the judicial conscience and constitute a denial of justice." *See Zarcone v. Perry*, 572 F.2d 52, 56 (2d Cir. 1978). Because all the facts are before the district court in the trial records, there is no need for a third jury

trial in this matter. Instead, the trial court should now decide the three recited questions on which it had not previously expressly ruled.

II *Bifurcated Trial*

Before the first trial, Salem and Cahill requested a bifurcated trial, limited to the issues of infringement, appellants' share of damages, if any, and plaintiff's entitlement to punitive damages. A second trial, if necessary, would have addressed the amount of punitive damages. Judge Mishler denied the request. Appellants now contend that New York law requires a bifurcated trial, and that the jury's determination respecting liability was prejudiced by Getty Petroleum's having focused on Cahill's net worth, and attacking Cahill's credibility on that issue.

In *Rupert v. Sellers*, 48 AD2d 265 (4th Dept. 1975), New York's Appellate Division, Fourth Department, held that evidence of a defendant's wealth is not relevant to deciding whether a plaintiff is entitled to punitive damages. Only after it has been determined by special verdict that a defendant's conduct entitles a plaintiff to such damages is it necessary or appropriate for a defendant's financial resources to be introduced into evidence. *Id.* at 272. We have approved this approach. *See Brinks Inc. v. City of New York*, 717 F.2d 700, 707 (2d Cir. 1983). Nonetheless, whether to bifurcate a trial into liability and damages phases is a matter within the sound discretion of the trial court. *See* Fed. R. Civ. P. 42(b); *Katsaros v. Cody*, 744 F.2d 270, 278 (2d Cir.), *cert. denied, sub nom. Cody v. Donovan*, 469 U.S. 1072 (1984). The district court thought that requiring the jury to render a special verdict on liability might disqualify that jury if it later needed to decide the issue of damages. Although we disagree with that view,

defendant did not seek to persuade the trial court that a second jury would not be required, and we cannot say that the district court's refusal to bifurcate the trial in the interests of judicial expediency was an abuse of its discretion. Further, though the jury decided the damages issue against defendant Cahill, it could well have done so because of the blatant inconsistencies in his testimony, rather than on account of the evidence of his wealth. Hence, we are not persuaded that proof pertaining to Cahill's net worth prejudiced the jury's determination of liability.

III *Compensatory Damages*

Appellants' third argument is that the district court erred in not allowing a setoff of the compensatory damage award in an amount equivalent to that paid by the settling tortfeasors. New York law provides that when a codefendant tortfeasor settles with the plaintiff, the release "does not discharge any of the other tortfeasors from liability for the injury . . . , but it reduces the claim of the releasor against the other tortfeasors" by the greatest of: (1) the amount stipulated in the release; (2) the amount actually paid; or (3) the amount of the released tortfeasor's equitable share of the damages. N.Y. Gen. Oblig. Law § 15-108 (McKinney 1978). Section 15-108 applies to actions brought under federal statutes in New York. *See First Fed. Sav. & Loan v. Oppenheim, Appel, Dixon & Co.*, 631 F. Supp. 1029, 1036 (S.D.N.Y. 1986) (federal securities claims).

After the first jury trial, Salem and Cahill moved to have the $43,255 compensatory damage award decreased under § 15-108 because Getty had settled with its co-defendants. At a hearing on their motion for offset, appellants argued that the compensatory award for their share

of the infringement at the Middle Village station—$39,335—should be reduced in light of the $52,500 plaintiff received in settlement from Vito and Vincent Gerbino (and their corporate alter egos), operators of the Middle Village station. They urged similarly that the compensatory award of $3,920 for infringement at Garden City Park station should be reduced given Getty's receipt of $10,000 from Daniel Feigenbaum, the station's operator, arguing that Getty had already received more than the total amount of damages attributable to that station. Alternatively, appellants asked to have the compensatory award offset by 50 percent because the jury fixed their share of liability at that percentage.

Judge Mishler declined to offset the compensatory damage award because appellants failed to establish that payments made to Getty by the settling defendants were for the *same injury*. The district court, for example, found Feigenbaum's settlement represented actual and punitive damages as well as attorney fees and costs, that the operators of the Middle Village station settled for actual and punitive damages, attorney fees and costs, and that the settlements by two other distributors (Tri-Star Brokers and Island Transportation Corp.) covered all of Getty's possible claims for deliveries to those Getty stations. Hence, the district court held that offset was not appropriate here. We agree.

As noted, the special verdict form asked the first jury to calculate Getty Petroleum's lost profits at the Middle Village and Garden City Park stations "as a result of the activities of Salem and/or Cahill." The compensatory damages assessed against appellants were intended to remedy Getty Petroleum's injury stemming solely from appellants' contributory infringement. Because the jury's

compensatory award did not take into account plaintiff's injuries attributable to the settling codefendants, Salem and Cahill may not invoke § 15-108 to decrease their liability for compensatory damages by virtue of these settlements. *See Whitney v. Citibank, N.A.*, 782 F.2d 1106, 1118 (2d Cir. 1986) (where distinct injuries caused by different defendants, § 15-108(a) does not apply, and no grounds for offset exist).

IV *Contribution*

The final issue raised concerns contribution. Salem and Cahill filed a third-party complaint for contribution against the Gerbinos, Sky Bolt Auto Service, Inc., and Thunderking, Inc. with respect to liability for trademark infringement at the Middle Village station. The district court severed this claim from the trial on the ground that it would unduly delay the trial of Getty Petroleum's claims. In his March 4, 1988 Decision and Order, Judge Mishler dismissed *sua sponte* appellants' third-party complaint, holding that appellants had no claim of contribution against the operators of the Middle Village station.

Appellants argue that there is generally an implied right of contribution among joint tortfeasors which should apply to the Lanham Act, citing three securities cases: *Sirota v. Solitron Devices, Inc.*, 673 F.2d 566, 578 (2d Cir.), *cert. denied*, 459 U.S. 838 (1982); *Tucker v. Arthur Andersen*, 646 F.2d 721, 727 n.7 (2d Cir. 1981); *Stowell v. Ted S. Finkel Inv. Servs.*, 641 F.2d 323, 325 (5th Cir.), *reh'g denied*, 647 F.2d 1123 (1981). There is no federal common law of contribution, even though there are a few instances where federal common law has been formulated when " 'necessary to protect uniquely federal interests.' " *Texas Indus. v. Radcliff Materials, Inc.*, 451 U.S. 630, 640

(1981), *quoting Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398, 426 (1964). The securities statutes at issue in the cases relied upon by appellants provide for specific rights of contribution, *see Texas Indus.*, 451 U.S. at 640 n.11, whereas the trademark statute at issue here does not.

Further, the Supreme Court refused to imply a right of contribution under the Equal Pay Act and in Title VII, stating "[t]he comprehensive character of the remedial scheme expressly fashioned by Congress strongly evidences an intent not to authorize additional remedies." *Northwest Airlines v. Transport Workers Union*, 451 U.S. 77, 93-94 (1981). The Court was not swayed by its decisions to imply a right of contribution in other areas of the law, such as admiralty, because in that area Congress had given the courts the power to fashion the controlling rules of substantive law. Thus, admiralty law is a "narrow exception." *Id.* at 95-96. In a similar vein, the Supreme Court refused to imply a right of contribution under the antitrust laws in *Texas Industries*, noting—in rejecting an argument that contribution should be implied as readily as joint and several liability—that it is up to Congress, not the courts, to provide a right of contribution. 451 U.S. at 646.

As already discussed, the jury assessed compensatory damages for Getty Petroleum's lost profits which resulted from appellants' contributory infringement of the Getty mark. The third-party defendants may not be held jointly liable for that portion of Getty Petroleum's injury. No express right of contribution exists under the Lanham Act, and Judge Mishler correctly concluded that it was inappropriate to imply such a right.

CONCLUSION

The judgment of the district court is affirmed in part and reversed in part, the punitive damages award is vacated and the case is remanded for further proceedings consistent with this opinion.

APPENDIX B

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
----------X
GETTY PETROLEUM CORP., CV 86-0247

Plaintiff,

-against-

SALEM HEAT & PETROLEUM CORP.
and LEWIS CAHILL,

Defendants. Memorandum of Decision and Order

----------X
SALEM HEAT & PETROLEUM CORP.,
and LEWIS CAHILL,

Third-Party Plaintiffs,

-against-

SKYBOLT AUTO SERVICE, INC.,
THUNDERKING, INC., VITO B.
GERBINO, and VINCENT R. GERBINO,

March 4, 1988

Third-Party Defendants.
----------X
A P P E A R A N C E S :

ROBERT G. DEL GADIO, ESQ.
Attorney for Plaintiff
1010 Franklin Avenue
Garden City, New York 11530

LEVINE & ROBINSON, P.C.
Attorneys for Defendants
50 Charles Lindbergh Boulevard
Mitchel Field, New York 11553
Carl S. Levine, Esq., Of Counsel

MISHLER, District Judge

The verdict of the jury against the above named defendants in this action awarded compensatory damages against the defendants as follows:

Lost profits for the period February 1, 1985 to December 19, 1985, at the Middle Village Service Station --$39,335.

Lost Profits for the period April 1985 through March 1986 at the Garden City Park Service Station-- $3,920.

The jury found that the operators of the respective service stations shared the responsibility for the violation with defendants to the extent of 50%.

The jury further found that the acts of contributory infringement by the defendants were done "knowingly, intentionally, maliciously and with a callous disregard for the rights of

Getty in its trademark," and assessed punitive damages in the amount of $875,000.

Plaintiff's Motions

Plaintiff moves:

1. to amend question 12 of the special verdict to reflect the assessment of damages against both Salem Heat & Petroleum Corp. and Lewis Cahill; and

2. for attorney's fees in the amount of $46,474.50 plus disbursements in the amount of $9,046.65--a total of $55,521.15.

Defendants' Motions

Defendants move:

1. for judgment N.O.V. pursuant to Fed. R. Civ. P. 50(b) and 59 on the ground that the plaintiff acquiesced in the violation of its trademark for the service station operators;

2. for judgment N.O.V. pursuant to Fed. R. Civ. P. 50(b) and 59 to set aside the award of punitive damages or alternatively to reduce the amount awarded; and

3. to set off and thus reduce compensatory damages by one-half to reflect the sums received by plaintiff from the service station operators pursuant to New York General Obligations Law § 15-108. 1/

DISCUSSION

Defendants concede that the failure to name Lewis Cahill in question 12 of the special verdict was an oversight and under the theory of liability submitted to the jury, the defendants were to be considered as a single entity. The finding of the jury on questions 12, is therefore, amended to read:

12. Punitive damages are assessed against Salem Heat & Petroleum Corp. and Lewis Cahill in the amount of $875,000.

Attorney's Fees and Costs

Defendants concede that the hours plaintiff claims in its application for attorney's fees were reasonably necessary in prosecuting its claim, the hourly rates claimed are reasonable, and the sums disbursed were reasonable in amount and reasonably necessary. However, defendants challenge plaintiff's right to attorney's fees on the ground that this is not an "exceptional case." 2/

An "exceptional case" under the Lanham Act is one where the infringing acts are done maliciously, fraudulently, deliberately or willfully. See Otis Clapp & Son, Inc. v. Filmore

Vitamin Co., 754 F.2d 738, 746 (7th Cir. 1985); Sealy, Inc. v. Easy Living, Inc., 743 F.2d 1378, 1384 (9th Cir. 1984); Spring Mills, Inc. v. Ultracashmere House, Ltd., 724 F.2d 352, 357 (2d Cir. 1983). Where the acts intend to and in fact do result in deception of the public, the case is clearly "exceptional." The jury here found that the defendants' infringing acts were done "knowingly, intentionally, maliciously and with a callous disregard for the rights of Getty in its trademark." (Question 11). See Quaker State Oil Refining Corp. v. Kooltone, Inc., 649 F.2d 94, 95 (2d Cir. 1981). We find that defendants were aware that members of the motoring public would be deceived into believing that they were purchasing unleaded gasoline supplied to the

service station by Getty, and deliberately made deliveries of unbranded gasoline knowing that it would be sold under the Getty trademark, and that this is an exceptional case. See Sealy, 743 F.2d at 1384.

Plaintiff is awarded the sum of 55,521.15 as and for attorney's fees and costs. Getty is to pay over to its counsel the difference between the sums paid or to be paid under its special arrangement with counsel and the amount received as the award for attorney's fees.

Motions to Set Aside Verdicts N.O.V.

A fact question was presented to the jury on the issue of acquiescence. The jury found that Getty did not acquiesce in the violation of its trademark at either the Middle Village station (Question 5) or the Garden

City Park Station (Question 10). The motion to set aside the verdict on the issue of acquiescence or to grant a new trial on the issue is in all respects denied. See McBryde v. Carey Lumber Co., 819 F.2d 185, 188 (8th Cir. 1987).

Motion to Vacate Punitive Damage Award

We turn to the motion to vacate the punitive damage award as excessive or alternatively to direct a new trial on the issue unless the plaintiff consents to a reduced amount.

We believe that punitive damages may be awarded in a Lanham Act claim under Quaker State Oil Refining Corp. v. Kooltone, Inc., 649 F.2d 94 (2d Cir. 1981). 3/ Our finding that the infringing acts were done knowingly, intentionally, maliciously and with a callous disregard for Getty's rights

in its trademark, resulting is a fraud upon the public, gives Getty the right to punitive damages.

The purpose of assessing punitive damages against a defendant found to have violated a trademark is to deter the defendant from repeating the acts and to deter others who might be so inclined from committing the acts. In fulfilling that purpose, the punitive damage award should not result in financial ruin to the wrongdoers. Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1025 (9th Cir. 1985), cert. denied, 474 U.S. 1059, 106 S. Ct. 802 (1986). The court has a duty "to keep a verdict for punitive damages within reasonable bounds considering the purpose to be achieved . . ." Aldrich v. Thomson McKinnon Securities, Inc., 756 F.2d

243, 248-49 (2d Cir. 1985) (quoting Lanfranconi v. Tidewater Oil Co., 376 F.2d 91, 97 (2d Cir.)), cert. denied, 389 U.S. 951, 88 S. Ct. 334 (1967); see also Tolliver V. Amici, 800 F.2d 149, 151 (5th Cir. 1986). A punitive damage award is excessive if it shocks the conscience of the court or is oppressive. It must be carefully restrained by practical considerations. See Brinks, Inc. v. City of New York, 546 F. Supp. 403, 413-14 (S.D.N.Y. 1982) (See Cases cited). Excessive punitive damage awards should be cut back where there is no specific and easily quantifiable error underlying the award, for damages should not be permitted to go beyond that amount reasonably necessary to secure the purposes of such awards, and thus to become part of a windfall

to the individual litigant. Aldrich, 756 F.2d at 249. In directing a new trial in Aldrich, unless the plaintiff was willing to accept $1.5 million dollars in lieu of any award of $3 million, the court noted:

> [E]ven though punitive damages need bear no exact relationship to compensatory damages, we are convinced on this record, that $3 million goes considerably beyond what may fairly be justified in order to discourage repetition of Thomson McKinnon's grossly negligent conduct, or instances of such conduct by other brokerage firms.

Id. at 249. (In Aldrich the jury returned a verdict of $175,000 in compensatory damages. Thomson McKinnon had $2 billion in assets and a net worth of $162 million). See also Ramsey v. American Air Filter Co., Inc., 772 F.2d 1303, 1314 (7th Cir. 1985). (In claim under 42 U.S.C.

§ 1981, discrimination in employment because of race, punitive damage award of $150,000 set aside unless plaintiff agreed to a remittitur reducing award to $20,000); Malandris v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 703 F.2d 1152, 1177-78 (10th Cir. 1981), cert. denied, 464 U.S. 824, 104 S. Ct. 92 (1983) (where $1 million, thirty thousand in compensatory damages was awarded, $3 million punitive damage award set aside unless plaintiff agreed to accept $1 million).

The court granted Cahill's motion to vacate the award of punitive damages in the amount of $875,000 unless the plaintiff remitted the sum of $775,000 and accepted the sum of $100,000 as and for punitive damages. 4/

On January 26, 1988, the court announced its decision in open court in the presence of counsel for the parties. Robert Del Gadio, counsel for Getty, refused to remit on behalf of his client. The court thereupon directed a retrial of the issue of punitive damages. After a three-day trial the jury awarded the sum of $1 million as and for punitive damages. Cahill moved to set aside the verdict. The court denied the motion. The evidence in the second trial supports the jury's finding. The evidence discloses that Salem sells approximately 15,000,000 gallons of unbranded gasoline a year. The issue of the gasoline a year. The issue of the validity of the marital separation of defendant Cahill and his wife, through which Elvira Cahill obtained the bulk

of the couple's material assets, was placed before the jury. The jury could have found, as Getty contended, that the separation agreement was simply a device to present Cahill as having a net worth of approximately $325,000 when in fact his net worth was approximately $2.9 million.

Motion to Reduce Compensatory Damages

The defendants' claim to a reduction of the compensatory damages to one-half of the amount found by the jury is based upon the jury's further finding that the operators of the service stations were responsible for the trademark infringement to the extent of fifty percent (50%).

On December 9, 1986, Getty entered into an agreement of settlement with the operators of the Middle Village service station, i.e., Vito P.

Gerbino, Vincent R. Gerbino, Skybolt Auto Service, Inc. and Thunder King, Inc. (described as "the Skybolt defendants"). Under the terms of the agreement the Skybolt defendants agreed, inter alia, to pay the sum of $10,000. The agreement provided that:

> Getty shall execute a general release running in favor of the Skybolt defendants upon the execution of this stipulation.

It further provided:

> This stipulation is not intended to release defendants Salem Petroleum & Heat Corp., or Lewis Cahill, or any other person or entity and plaintiff Getty Petroleum Corp. reserves all of its rights against all parties other than Vito P. Gerbino, Vincent R. Gerbino, Thunder King, Inc., and Skybolt Auto Service, Inc. 5/

Getty received the sum of $10,000 from Daniel Feigenbaum, the operator of the Garden City Park

service station, in full satisfaction of the judgment entered in the case of Getty Petroleum Corp. v. Bartco Petroleum Corp., CV 86-0246 (E.D.N.Y. Sept. 2, 1987).

Defendants claim their right to offset the amounts recovered by Getty as compensatory damages by the amounts received from the Geribnos and Feigenbaum, or at least have the amount of recovery reduced by 50% in accordance with the verdict fixing the proportionate degree of fault between them and the operators of the service station. The argument is based on New York General Obligations Law ("G.O.L.") § 15-108. 6/

The right to contribution is derived from federal law -- either expressly or impliedly granted by statute or by judicial fiat when

"necessary to protect unequally federal interests . . ." Texas Industries, Inc. v. Radcliff Materials, Inc., 451 U.S. 630, 640, 101 A. Ct. 2061, 2067 (1981). The Court in Texas Industries holding

> that neither the Sherman Act nor the Clayton Act confers on federal courts the broad power to formulate the right to contribution . . .

Id. at 646, 101 S. Ct. at 2070, noted

> Nor does the judical determination that defendants should be jointly and severally liable suggest that courts also may order contribution, since joint and several liability simply ensures that the plaintiffs will be able to recover the full amount of damages from some, if not all, participants.

Id. at 646, 101 S. Ct. at 2069-70.

The right of contribution against joint tortfeasors is not available in claims based on discrimination under the Equal Pay Act of Title VII of the

Civil Rights Action of 1964. Northwest Airlines v. Transport Workers Union, 451 U.S. 77, 101 S. Ct. 1571 (1981). The Court in Northwest Airlines noted:

> Whatever may be a federal court's power to fashion remedies in other areas of the law, we are satisfied that it would be improper for us to add a right to contribution to the statutory rights that Congress created in the Equal Pay Act and Title VII.

Id. at 98, 101 S. Ct. at 1584. 7/

In passing, we review our decision to sever defendant's claim against Sky Bolt Auto Service, Inc., Thunderking, Inc., Vito P. Gerbino and Vincent R. Gerbino for contribution on the ground that the trial on the third party claim would unduly delay the trial of the Getty claims. We find that defendants have no claim for contribution against Skybolt Auto

Service, Inc., et al. We sua sponte dismiss the third party claim. We further find the jury's verdict in fixing the proportionate share of fault between defendants and the operators of the stations to be irrelevant. We therefore vacate the jury's finding on Questions 4 and 9 of the special verdict.

We turn to defendants' claim that payments made by the Gerbinos and Feigenbaum should be credited against Getty's recovery. "We start with the fundamental principle that a payment made by a joint tortfeasor diminishes the claim against the remaining tortfeasors." (citations omitted). Seymour v. Summa Vista Cinema, Inc., 809 F.2d 1385, 1389 (9th Cir. 1987). See also Screen Gems-Columbia Music,

Inc. v. Metlis & Lebow Corp., 453 F.2d 552, 554 (2d Cir. 1972).

The defense of offset must be pleaded and established by defendants. The payment made by the Gerbinos was not for settlement of the claim for actual damages alone, but included punitive damages and the liability for attorney's fees and costs. Feigenbaum received a satisfaction of judgment which represented actual damages and punitive damages. He received a release releasing him for a claim for attorney's fees and costs.

Tri Star Brokers, Inc. paid Getty the sum of $7,500 in settlement of the claim against it. Island Transportation Corp. paid the sum of $15,000 in settlement of the claim against it. These corporations paid the sums in consideration of Getty's

releasing them not only for the deliveries of non-Getty gasoline to the Middle Village Station (Gerbinos) and the Garden City Park Station (Feigenbaum) but for all claims of contributory infringement in delivering non-Getty gasoline to other Getty stations.

Defendants failed to establish that the payments made to Getty were for the same injury. Defendants may not offset such payments against the sums assessed in favor of Getty as compensatory damages. See Whitney v. Citibank, N.A., 782 F.2d 1106, 1118 (2d Cir. 1986).

Additionally we find that if such credit for payments were established, a decrease in the amount of compensatory damages would be inadequate and we would increase the reduced amount

to the sum the jury found Getty lost in profits as a result of the infringement.

CONCLUSION

Judgment is granted in favor of plaintiff Getty Petroleum Corp. and against Salem Heat & Petroleum Corp. and Lewis Cahill as follows:

The sum of $39,335 with interest at 6% per annum from December 19, 1985 (Middle Village Station) in the amount of $5,135 for a total sum of $44,470.

The sum of $3,920 with interest at 6% per annum from April 1, 1986 (Garden City Park Station) in the amount of $470.00 for a total sum of $4,390.

The sum of $1 million assessed as punitive damages.

The sum of $55,520.15 as and for attorney's fees.

Injunctive relief as prayed for in this complaint is granted.

SO ORDERED.

S/

U. S. D. J.

FOOTNOTES

1/ Defendants also moved for a stay of execution pursuant to Rule 62. A stay was granted pending appeal by order dated December 29, 1987 based on a stipulation.

2/ Defendants also claim that the hourly rate should not be the attorney's usual and customary rate, but rather the rate charged Getty under a special arrangement. We have previously discussed this issue in a memorandum of decision and order dated September 2, 1987 in Getty Petroleum Corp. v. Bartco Petroleum Corp., CV 86-0246. For the reasons therein stated, we find that plaintiff is entitled to reimbursement at the fair and reasonable rate reflected in the attorney's usual charge for the services rendered. The higher fee, of course, would normally be taxed as part of the costs. The attorney will receive the additional fee from plaintiff when it is received by plaintiff.

3/ See this court's memorandum of decision of June 22, 1987 in Getty Petroleum Corp. v. Bartco Petroleum Corp., CV 86-0246 noting a split in the circuits on this question. See, e.g., Metric and Multistandard Components Corp. v. Metric's Inc., 635 F.2d 710, 716 (8th Cir. 1980); and Caesar's World, Inc. v. Venus

Lounge, Inc., 520 F.2d 269, 274 (3rd Cir. 1975) both holding that punitive damages are not available; Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1024-25 (9th Cir. 1985), cert. denied, 474 U.S. 1059, 106 S. Ct. 802 (1986); and Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365, 1374-76 (10th Cir. 1977), cert. dismissed, 434 U.S. 1052, 98 S. Ct. 905 (1978) both holding that punitive damages may be awarded in Lanham Act claims.

4/ In summation plaintiff's counsel asked the jury to award $3 million in punitive damages.

5/ Getty also received $7,500 from Tri-Star Brokers, Inc. and $35,000 from Island Transportation Corp.

6/ G.O.L. § 15-108 provides in pertinent part:

> (a) a release given "to one of two or more persons liable or claimed to be liable in tort for the same injury . . . does not discharge any of the other tortfeasors for the injury . . . unless its terms expressly so provide, but it reduces the claim of the releasor against the other tortfeasors to the extent

> of any amount stipulated by the release . . . .
>
> (b) a release given in good faith by the injury person to one tortfeasor . . . relieves him from liability to any other person for contribution. . . .
>
> (c) a tortfeasor who has obtained his own release from liability shall not be entitled to contribution from any other person.

7/ The right of contribution is available in claims of federal securities violation. See Hetzer Corp. v. Ross, 601 F.2d 330 (7th Cir. 1979).

APPENDIX C

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
----------X
GETTY PETROLEUM CORP., CV 86-0247

Plaintiff,

-against- Memorandum of Decision

ISLAND TRANSPORTATION CORP., SKYBOLT AUTO SERVICE, INC., VITO P. GERBINO, VINCENT R. GERBINO, TRI-STAR BROKERS, INC., TURGOT OZEN, SALEM HEAT & PETROLEUM CORP., and LEWIS CAHILL,

Defendants.
----------X
SALEM HEAT & PETROLEUM CORP., and LEWIS CAHILL,

Third-Party Plaintiffs,

-against- January 12, 1989

SKYBOLT AUTO SERVICE, INC., THUNDERKING, INC., VITO P. GERBINO and VINCENT R. GERBINO,

Third-Party Defendants.
----------X
A P P E A R A N C E S :

DEL GADIO & WHITE, ESQS.
Attorneys for Plaintiff
1010 Franklin Avenue
Garden City, New York 11530
Robert Del Gadio, Esq. Of Counsel

LEVINE & ROBINSON, ESQS.
Attorneys for Defendants
50 Charles Lindbergh Boulevard
Mitchel Field, New York 11553

MISHLER, District Judge

The claims against Salem Heat & Petroleum Corp. ("Salem") and Lewis Cahill are before this court on remand from the Second Circuit Court of Appeals, Getty Petroleum Corp. v. Island Trans. Corp., et al., ___ F.2d ___ (2d Cir. 1988) to determine :

> whether (1) plaintiffs' non-Lanham Act claims were still alive at the close of the trial; (2) punitive damages may be awarded under the law of New York for those claims; (3) plaintiff had proved its state law causes of action; and (4) the award of attorney's fees under New York law.

The Complaint

The first paragraph of the complaint captioned "Jurisdiction and Venue" charged the defendants

> for infringement of rights in a trademark, service mark and a trade name under the common law and for unfair competition; and for dilution of the distinctive quality of Plaintiff's trademark in violation of New York State General Business Law, Article 24, §§ 368 et seq., § 368(b) [New York Anti-dilution Violation]; and for false advertising in violation of New York State General Business Law §§ 350 and 350-d.

The allegations of the complaint charged Salem, Cahill and co-defendants with delivering non-Getty gasoline to gasoline service stations licensed by Getty to sell only unleaded gasoline delivered by Getty and that the motoring public was deceived in believing that it was purchasing Getty unleaded gasoline at the Getty service stations. The complaint alleges that such acts "constitute unfair competition with the plaintiff" (Count III); a

violation of New York State General Business Law §§ 368 and 368-d (Count IV); a violation of New York State General Business Law §§ 350 and 350-d (Count V).

The State Law Claims Were Still Alive at the Close of the Trial

Getty did not withdraw its non-Lanham Act claims. The claim made by Salem and Cahill that this court, by referring in its charge to trademark infringement (and not to unfair competition), and similarly presenting the fact questions to the jury, demonstrates that Getty abandoned all the non-Lanham Act claims, is rejected. Plaintiff's counsel made it clear at the pre-charging conference that Getty's theory of liability included unfair competition by defendants and that trademark infringement

constituted unfair competition. At the close of the evidentiary part of the case, in response to defendants' counsel's motion to dismiss the non-Lanham Act claims, the court in denying the motion explained that theories of liability remain for the court after the jury has decided the fact issues.

The acts of contributory infringement that the jury found were committed by Salem and Cahill were the acts of sale and delivery of non-Getty unleaded gasoline to Getty gasoline service stations with the knowledge that the gasoline was for sale to the motoring public as Getty gasoline. The jury further found that those acts were "done knowingly, intentionally and with a callous disregard for the

rights of Getty in its trademark." (Question 11).

DISCUSSION

The State Law Claims Were Established

In Dell Publishing Co. v. Stanley Publications, Inc., 9 N.Y.2d 126, 211 N.Y.S.2d 393, 398 (1961), the New York Court of Appeals held:

> It is fundamental that the substantive law of trade-marks is merely a portion of the broader law of unfair competition (citation omitted); and that it is intended to discourage and restrain one from palming off his goods and/or their origin as the goods of another (citation omitted). While we undoubtedly have jurisdiction over actions involving unfair competition, it is equally fundamental that, although Federal law may govern an action for infringement of a Federally registered trade-mark, we share jurisdiction over such actions with the Federal courts. (citation omitted).

See Safeway Stores, Inc. v. Safeway Properties, Inc., 307 F.2d 495, 497

n.1 (2d Cir. 1962); Sears, Roebuck & co. v. Stiffel Company, 376 U.S. 225, 232, 84 S. Ct. 784, 789 (1964) (The Lanham Act does not preempt rights based on state law. States "may protect businesses in the use of their trademarks. . . .) Mastro Plastics Corp. v. Emenee Industries, Inc., 19 A.D.2d 600, 240 N.Y.S.2d 624 (1st Dep't 1963), aff'd, 14 N.Y.2d 498, 248 N.Y.S.2d 223 (1964).

The plaintiff proved its claim of unfair competition in establishing the knowing and intentional infringement by defendants of its trademark rights. Plaintiff proved a violation of § 368-d of the New York General Business Law. Section 368-d provides for injunctive relief "in cases of infringement of a mark registered or not registered or in cases of unfair

competition. . . ." Dreyfus Fund, Inc. v. Royal Bank of Canada, 525 F. Supp. 1108, 1125 (S.D.N.Y. 1981) (The findings and conclusions reached with respect to the trademark cause of action make it highly likely that the New York Statute has been violated. If anything, the likelihood of a violation of § 368-d is greater than the Lanham Act). Plaintiff also proved a claim under § 350-d of the New York General Business Law. Section 350-d provides the remedy of damages based on a claim of false advertising under § 350(a). A claim of false advertising includes "labelling, which is misleading in a material respect. . . ." See Galaxy Export, Inc. v. Bedford Textile Products, Inc., 84 A.D.2d 572, 434 N.Y.S.2d 439 (2d Dep't 1981). That section grants

the court the right to "award reasonable attorney's fees to a prevailing plaintiff."

Punitive Damages may be Awarded Under New York Law

The Circuit Court's opinion answers the question of the availability of punitive damages in an unfair competition case under New York law citing Roy Export Co. Establishment v. Columbia Broadcasting System, Inc., 672 F.2d 1095, 1106 (2d Cir.), cert. denied, 459 U.S. 826, 103 S. Ct. 60 (1982) (New York law clearly permits punitive damages where a wrong is aggravated by recklessness or willfulness. . . .) Were we bound by the principle stated in Walker v. Sheldon, 10 N.Y.2d 401, 223 N.Y.S.2d 488, 179 N.E.2d 497 (1961) that punitive damages may be awarded only in an action where the fraud is aimed at the

public, we would find that condition satisfied. The deception practiced in selling non-Getty gasoline as Getty gasoline was indeed aimed at the ultimate consumer--the motoring public. See The Wisser Co., Inc. v. Mobil Oil Corp., 730 F.2d 54, 60 (2d Cir. 1984).

Attorney's Fees

Plaintiff argues that it is "entitled to all remedies available under New York State law" and that since its claim for punitive damages is based on its unfair competition claim "misbranding, mislabelling and false advertising of non-Getty gasoline as Getty gasoline. . . ." (Letter, Del Gadio & White, Dec. 21, 1988), the court may award reasonable attorney's fees under § 350-d(3) of the New York General Business Law.

Punitive damages are not available under § 350-d as that section permits enhancement of damages "to an amount not to exceed three times the actual damages up to one thousand dollars. . . ."

Prior to the 1975 amendment to § 1117 authorizing the award to attorney's fees in "exceptional cases," attorney's fees were not reimburseable. In Textron, Inc. v. Spi-Dell Watch & Jewelry Co., 406 F.2d 544, 545 (2d Cir. 1968), the court held:

> It is clear that counsel fees may not be recovered in actions under the federal Lanham Act. Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 87 S. Ct. 1404, 18 L.Ed.2d 475 (1967). Textron seeks to avoid this rule by asserting that its award of counsel fees was based not on federal law but on violation of its common law rights. This too is

> unavailing. It is far from clear that a New York Court would allow counsel fees in trademark infringement actions, Winthrop Chemical Co. v. Blackman, 159 Misc. 451, 288 N.Y.S. 389 (Sup. Ct. 1936), or in unfiar competition suits, Miss Susan, Inc. v. Enterprise & Century Undergarment Co., 270 App. Div. 747, 62 N.Y.S.2d 250 (1st Dep't 1946), aff'd, 297 N.Y. 512, 74 N.E.2d 461.

In seeking attorney's fees based on § 350-d(3), plaintiff is bound by the limitations set forth for the violation of the statutory right, i.e., enhancement of damages to a sum not in excess of one thousand dollars. The remedies for violations of all the various rights asserted are not cumulative. Plaintiff is entitled to the most favorable remedies available on any right asserted. Getty has elected to rest on its unfair competition claim and has accepted the

sum of $250,000 as punitive damages. (Letter, Del Gadio & White dated October 25, 1988).

Getty's request for attorney's fees and fees for the second trial are denied. Payment in the amount of $78,605.46 having been made by defendants shall be returned in the form of a credit against the punitive damages. 1/

An amended judgment is entered this day.

U. S. D. J.

FOOTNOTE

1/ If punitive damages were not available the court would have trebled the award of actual damages under § 1117. Since punitive damages are awarded, enhancement is not appropriate.

APPENDIX D

EDNY
86-CV-0247
MISHLER

UNITED STATES COURT OF APPEALS
FOR THE
SECOND CIRCUIT

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the twentieth day of October, one thousand nine hundred and eighty-eight.

Present: HON. JON O. NEWMAN
HON. AMALYA L. KEARSE
HON. RICHARD J. CARDAMONE

Circuit Judges,

GETTY PETROLEUM CORP.,

Plaintiff-Appellee,

-v-

ISLAND TRANSPORTATION CORP., SKYBOLT AUTO SERVICE, INC., VITO P. GERBINO, VINCENT R. GERBINO, THUNDERKING, INC., TRI-STAR BROKERS, INC., TURGOT OZEN, SALEM HEAT & PETROLEUM CORP., and LEWIS CAHILL,

Defendants,

SALEM HEAT AND PETROLEUM CORP.,
and LEWIS CAHILL,

Defendants-Appellants

SALEM HEAT & PETROLEUM CORP.
and LEWIS CAHILL,

Third-Party Plaintiffs,

-v- Docket # 88-7268

SKYBOLT AUTO SERVICE, INC.,
THUNDERKING, INC., VITO P. GERBINO
and VINCENT R. GERBINO

Third-Party Defendants.

Appeal from the United States District Court for the Eastern District of New York

This cause case on to be heard on the transcript of record from the United States District Court for the Eastern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged and decreed that the Judgement of said District Court be and it hereby is affirmed in part, reversed in part, the punitive damages award is vacated

and the case is remanded for further proceedings consistent with this opinion.

ELAINE B. GOLDSMITH,
Clerk

S/_____
BY: EDWARD J. GUARDARO,
Deputy Clerk

A TRUE COPY
ELAINE B. GOLDSMITH, CLERK

BY:S/_____
DEPUTY CLERK

NOVEMBER 14, 1988

ISSUED AS MANDATE:

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

At a stated term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Courthouse, in the City of New York, on the fifth day of December one thousand nine hundred and eighty-eight.

Present: HON. JON O. NEWMAN,
HON. AMALYA L. KEARSE,
HON. RICHARD J. CARDAMONE
CIRCUIT JUDGES

----------X

GETTY PETROLEUM CORP.,

Plaintiff-Appellee,

-v- 88-7268

SALEM HEAT AND PETROLEUM CORP. and LEWIS CAHILL,

Defendants-Appellants

----------X

A petition for a rehearing having been filed herein by counsel for the plaintiff-appellee, Getty Petroleum Corp.

Upon consideration thereof, it is

ORDERED that said petition be and it hereby is DENIED.

ELAINE B. GOLDSMITH
Clerk

S/
By: Fred M. Cassidy
Chief Deputy Clerk

APPENDIX F

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant--

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies

hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

* * *

§ 1116. Injunctive relief

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative

and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be fond.

(b) Transfer of certified copies of court papers

The said courts shall have jurisdiction to enforce said injunction, as provided in this chapter, as fully as if the injunction has been granted by the district court in which it is sought to be enforced. The clerk of the court or judge granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a certified copy of all papers on file in his office upon which said injunction was granted.

(c) Notice to Commissioner

It shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding arising under the provisions of this chapter to give notice thereof in writing to the Commissioner setting forth in order so far as known the names and addresses of the litigants and the designating number or numbers of the registration or registrations upon which the action, suit, or proceeding has been brought, and in the event any

other registration be subsequently included in the action, suit, or proceeding by amendment, answer, or other pleading, the clerk shall give like notice thereof to the Commissioner, and within one month after the decision is rendered, appeal taken or a decree issued the clerk of the court shall give notice thereof to the Commissioner, and it shall be the duty of the Commissioner on receipt of such notice forthwith to endorse the same upon the file wrapper of the said registration or registrations and to incorporate the same as a part of the contents of said file wrapper.

(d) Civil actions arising out of use of counterfeit marks

(1)(A) In the case of a civil action arising under Section 1114(1)(a) of this title or section 380 of Title 36 with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records, documenting the manufacture, sale, or receipt of things involved in such violation.

(B) As used in this subsection the term "counterfeit mark" means--

(i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 380 of Title 36;

but such term does not include any mark or designation used in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

(2) The court shall not receive an application under this subsection unless the applicant has given such notice of the application as is reasonable under the circumstances to the United States attorney for the judicial district in which such order

is sought. Such attorney may participate in the proceedings arising under such application if such proceedings may affect evidence of an offense against the United States. The court may deny such application if the court determines that the public interest in a potential prosecution so requires.

(3) The application for any order under this subsection shall--

(A) be based on an affidavit or the verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required for such order; and

(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

(4) The court shall not grant such an application unless --

(a) The person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

(B) the court finds that it clearly appears from specific facts that --

(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 1114 of this title;

(ii) the applicant has not publicized the requested seizure;

(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

(v) the matter to be seized will be located at the place identified in the application;

(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

(vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

(5) An order under this subsection shall set forth --

(A) the findings of fact and conclusion of law required for the order;

(B) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;

(C) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;

(D) the amount of security required to be provided under this subsection; and

(E) a date for the hearing required under paragraph (10) of this subsection.

(6) The court shall take appropriate action to protect the person

against whom an order under the subsection is directed from publicity, by or at the behest of the plaintiff, about such order and any seizure under such order.

(7) Any materials seized under this subsection shall be taken into the custody of the court. The court shall enter an appropriate protective order with respect to discovery by the applicant of any records that have been seized. The protective order shall provide for appropriate procedures to assure that confidential information contained in such records is not improperly disclosed to the applicant.

(8) An order under this subsection, together with the supporting documents, shall be sealed until the person against whom the order is directed has an opportunity to contest such order, except that any person against whom such order is issued shall have access to such order and supporting documents after the seizure has been carried out.

(9) The court shall order that a United States marshal or other law enforcement officer is to serve a copy of the order under this subsection and then is to carry out the seizure under such order. The court shall issue orders, when appropriate, to protect the defendant from undue damage from the disclosure of trade secrets or other confidential information during the course of the seizure, including, when appropriate, orders restricting

the access of the applicant (or any agent or employee of the applicant) to such secrets or information.

(10)(A) The court shall hold a hearing, unless waived by all the parties on the date set by the court in the order of seizure. That date shall be not sooner than ten days after the order is issued and not later than fifteen days after the order is issued, unless the application for the order shows good cause for another date or unless the party against whom such order is directed consents to another date for such hearing. At such hearing the party obtaining the order shall have the burden to prove that the facts supporting findings of fact and conclusions of law necessary to support such order are still in effect. If that party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

(B) In connection with a hearing under this paragraph, the court may make such orders modifying the time limits for discovery under the Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of such hearing.

(11) A person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate, includ-

ing damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee. The court in its discretion may award prejudgment interest on relief recovered under this paragraph, at an annual interest rate established under section 6621 of Title 26, commencing on the date of service of the claimant's pleading setting forth the claim under this paragraph and ending on the date such recovery is granted, or for such shorter time as the court deems appropriate.

* * *

§1117. Recovery for violation of rights

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits

the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of section 1114(1)(A) of this title or section 380 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the

court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 of Title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

§1118. Destruction of infringing articles

In any action arising under this chapter, in which a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established, the court may order that all lables, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed. The party seeking an order under this section for destruction of articles seized under section 1116(d) of this title shall given ten days' notice to the United States attorney for the judicial district in which such order is sought (unless good cause is shown for lesser notice) and such United States attorney may, if such destruction may affect evidence of an offense against the United States, seek a hearing on such

destruction or participate in any hearing otherwise to be held with respect to such destruction.

* * *

§1125. False designations of origin and false descriptions forbidden

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation or origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

APPENDIX G

AMENDMENT VII--CIVIL TRIALS

In Suits at common law, where the value in controversey shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.